

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 EB-07 L-02 INR-07 SS-15 H-02 /044 W

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R 050740Z APR 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7414

C O N F I D E N T I A L JAKARTA 4059

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FOR EDMONDS EA

E.O. 11652: GDS

TAGS: CPBS, BKXM, EINV, ETRD, ID

SUBJECT: P.T. BAUD CASE

REF: A) STATE 74444; B) JAKARTA 2468

1. APPRECIATE RECEIVING EXIM CHAIRMAN CASEY LETTER ON
P.T. BAUD CASE AND INGERSOLL'S REPLY IN LETTER FROM INGRAHAM
MARCH 22. WE ASSUME REPLY IS THAT REFERRED TO IN REF A.

2. HABIB MEMORANDUM MAKES ALL APPROPRIATE POINTS.

3. WE ARE BEGINNING TO GET ECHOES FROM SUPPLIERS OF DELAYS
IN EXIM ACTIONS WHICH SUGGEST THAT HOLD ON LOAN APPLICATIONS
UNDER CONSIDERATION HAS NOT YET BEEN LIFTED. IF THIS
CONTINUES, WE MAY FACE ANOTHER SERIOUS PROBLEM WITH OUR
INDONESIAN FRIENDS WITHOUT, IN OUR JUDGMENT, FURTHERING
CAUSE OF P.T. BAUD CLAIM.

4. IN ADDITION TO ADOPTING GENERAL USG POSITION THAT
SEA OIL AND GENERAL SHOULD EXHAUST LEGAL REMEDIES BEFORE
USG -- INCLUDING CONGRESS AND EXIM -- CAN DETERMINE WHETHER
OR NOT THERE HAS BEEN DENIAL OF JUSTICE, WE BELIEVE IT IS
NOW TIMELY TO SUPPLEMENT POSITION TAKEN IN INGERSOLL-CASEY
LETTER BY SUGGESTING ARBITRATION TO GOI, AND SIMULTANEOUSLY
URGING SEA OIL AND GENERAL TO SUBMIT BRIEF DIRECTLY TO GOI.

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JUDGING FROM OUR TALKS WITH GOI MINISTERS WHICH HAVE BEEN

REPORTED TO DEPARTMENT, IN WHICH THEY HAVE TAKEN FIRM POSITION AGAINST INCREASED COMPENSATION FOR CLAIM, WE DOUBT GOI WOULD OFFER APPRECIABLY HIGHER SETTLEMENT ON BASIS OF FURTHER NEGOTIATIONS. IN THIS CONNECTION, WE BELIEVE SEA OIL AND GENERAL'S DECISION TO SEEK CONGRESSIONAL AND EXIM ACTION AGAINST GOI HAS STIFFENED INDONESIAN'S RESISTANCE. WE BELIEVE, THEREFORE, THAT SEA OIL AND GENREAL'S BEST HOPE FOR FAIR AND OBJECTIVE SETTLEMENT LIES IN HAVING CLAIM SUBMITTED TO IMPARTIAL THIRD-PARTY ARBITRATION. WE BELIEVE EMBASSY SHOULD BE AUTHORIZED TO RAISE POSSIBILITY OF ARBITRATION WITH GOI AND GET REACTION. WE RECOGNIZE ARBITRATION NOT CURRENTLY ACCEPTABLE TO SEA OIL AND GENERAL BECAUSE OF ITS FEARS THAT IT WOULD PRODULE FURTHER DELAY; BUT, HOPEFULLY, SOME EXPEDITIOUS FORM OF ARBITRATION IS AVAILABLE THAT WOULD MEET THIS OBJECTION. SINCE CURRENT COURSE OF ACTION ADOPTED BY SEA OIL AND GENERAL COULD PRODUCE MOST UNFORTUNATE RESULTS FOR U.S.-INDONESIAN RELATIONS, WE SUGGEST USG NOW HAS MAJOR INTEREST IN CASE WHICH WOULD JUSTIFY APPROACH TO GOI CONCERNING ARBITRATION.

5. SINCE TO OUR KNOWLEDGE FOREIGN ASSISTANCE APPROPRIATION LEGISLATION DID NOT CANTAIN RESTRICTIONS ON INDONESIA, WE PRESUME WE ARE OVER THAT HURDLE. IF QE ARE STILL HAVING CONGRESSIONAL PROBLEMS, IS IT NOT POSSIBLE TO POINT OUT TO INTERESTED MEMBERS OF CONGRESS THAT INDONESIA HAS LONG AGO SETTLED EVERY OTHER SIGNIFICANT AMERICAN PLANTATION CLAIM, THAT MAJOR U.S. INTERESTS ARE INVOLVED IN INDONESIA, THAT CASE YET HAS TO BE JUDGED BY IMPARTIAL OBSERVER, THAT EMBASSY HAS MADE EXTENSIVE REPRESENTATIONS ON BEHALF OF SETTLEMENT OF CLAIM, AND THAT INDONESIA HAD MADE OFFER AND HAS RECEIVED NO OFFICIAL RESPONSE FROM SEA OIL AND GENERAL SO FAR AS WE KNOW?

6 IN ANY FURTHER RESPONSE TO CHAIRMAN CASEY, I BELIEVE IT WOULD BE USEFUL CLARIFY FOREIGN MINISTER'S ROLE. CASEY MEMORANDUM OF MARCH 13 STATES THAT SULLIVAN "HAS BEEN ENCOURAGED BY THE FOREIGN MINISTRY." AS YOU KNOW, WE HAVE DISCUSSED THIS POINT WITH FOREIGN MINISTER MALIK WHO DISASSOCIATES HIMSELF FROM SULLIVAN'S TACTICS AND IS CONFIDENTIAL

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WILLING TO WRITE TO FORMER SECRETARY ROGERS TO THIS EFFECT (JAKARTA 2629).

7. PRESUME YOU HAVE RECEIVED OUR FURTHER MATERIAL THIS MATTER SENT TO YOU MY LETTER MARCH 26, 1975. IN THIS CONNECTION WE WOULD APPRECIATE FOR PURPOSES OF COMPLETING OUR FILES RECEIVING DETAILS OF U.S. OWNERSHIP OF P.T. BAUD AT TIME OF NATIONALIZATION ON WHICH U.S. INTEREST IN CASE

BASED AND NAMES OF PRESENT DIRECTORS AND SHAREHOLDERS OF
SEA OIL AND GENERAL (REF B).
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